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COST *and* MANAGEMENT

JANUARY - 1940

Published Monthly
by

THE CANADIAN SOCIETY OF
COST ACCOUNTANTS & INDUSTRIAL ENGINEERS

THE CANADIAN SOCIETY OF COST ACCOUNTANTS & INDUSTRIAL ENGINEERS

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COST *and* MANAGEMENT

THE OFFICIAL JOURNAL OF
THE CANADIAN SOCIETY OF
COST ACCOUNTANTS & INDUSTRIAL ENGINEERS

INCORPORATED 1920

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66 KING STREET EAST, HAMILTON

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Telephone 2-0700

Vol. XV.

January, 1940

No. 1

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Subscription price to non-members, \$5 a year. Single copies 50 cents.
Members desiring 5 copies or more of a single issue may obtain them
at 25 cents each.

• EDITORIAL •

The Aftermath

The year 1940 has dawned and with it the hopes and aspirations so far as business is concerned, for the best year since the rather hectic days of 1928 and 1929. On all sides we learn that retail sales are away up, that the heavy industries are going ahead, that Canada's Gold production reached a new peak last year, and this is expected to be passed in 1940. Unemployment figures are away down and consequently relief figures are considerably lower. All this makes good reading and perhaps we should be thankful that a new day has dawned. Business has been so long in the doldrums that it cannot be blamed for a feeling of real optimism over the prospect of a period of prosperity. Especially after so many years of living comparatively from hand to mouth, business has every reason for feeling rather pleased with itself at this time. It must be remembered, however, that while not all the recent increase in business is due to war efforts and contracts, nevertheless a lot of it is based on such facts, and if we are to escape another period of depression when the war ceases we should begin to do some rather heavy thinking right now. So long as the world continues to accept gold as a basis for currency Canada's gold output will continue to increase, at least so long as the price of this commodity remains high enough, and no fears may be felt in this regard. Similarly it is reasonable to expect that Canadian wheat will be in brisk demand for a long time, especially if the present hostilities last for any length of time, but it is rather to the industrial expansion of the present and its consequent mark on the future that one should think at this time. There will come a time when considerable of the present business in Canada will stop and what then? Are we prepared or will we be prepared to make the transition from war effort to peace effort without seriously endangering our structure? Are we giving sufficient thought to the serious problems that will arise when the war does end? It seems rather significant that recruits for Canada's army have been signed for the duration of the war and the demobilization period, and one would take this to mean that instead of turning thousands of young men out of the army immediately war ends, steps will be taken to keep them in uniform until industry can absorb them which, if true, is a step to be commended. But what of the industrial army at present engaged in the manufacture of materials of war and materials needed abroad because of war? Undoubtedly such materials will not be required when war ceases, or at any rate will be needed in much smaller quantities. Are we preparing ourselves for the time when much of the present industrial activity will cease and activity in other lines will have to take its place if our population is to live? It seems to us that now is the time to plan for the future. One is not concerned so much with the outcome of the war itself. The British Empire and France will take care of that and we have no fear, although we realize that it will be a bitter struggle. But we should be concerned with the aftermath. What then?

Across the Secretary's Desk

With the Christmas festivities and the end of the year work, meetings of the various chapters have suffered a lull as is usual at this time of the year, and meetings will not be resumed until late this month. Late in December President Howey and myself journeyed to St. Catharines, where the Niagara Peninsula Chapter put on a "stag" affair that certainly should do this thriving chapter a lot of good. President Howey took the opportunity to present to the chapter the Fernie Shield, won last year by the Niagara Chapter, and he complimented the officers on the splendid record they had hung up. Chairman Harvey Spy accepted the Shield on behalf of the chapter and then the fun commenced. There was entertainment, refreshments, smokes, turkey draws (we still think this latter was a "gyp"), free smokes and what have you. Generally the boys enjoyed themselves in a fine way, and the officers of the chapter, with Herman Holden as the chairman of the Entertainment Committee, are to be heartily congratulated for their efforts. The Vancouver Chapter also held a stag, but no details are to hand yet concerning this affair. Maybe the boys have not yet recovered sufficiently. So far as the Fernie trophy is concerned for this present year the race is very open. Fort William-Port Arthur, Vancouver, Hamilton, Toronto, Montreal, are all in the running and the others are not far behind.

By the time these lines appear in print it is expected that in Ontario powers will have been granted by the Provincial Legislature which will put our Society on a far better footing than hitherto and will enable us to award "degrees" to those members who pass our examination. Similar legislation will be followed in other provinces it is expected, and we feel that this is a decided step forward in our history. Not all that we had hoped for will be gained as a result of this legislation, but definitely it is a step forward and should result in a very rapid growth so far as membership is concerned, and should also result in a very much higher standard of efficiency and knowledge among Cost and Industrial Accountants generally.

So far as membership is concerned, it is still growing at a very nice rate in practically all chapters, and there is no reason to suppose that this rate will not be even increased in the immediate future. Headquarters have plans well under way for a very definite drive in this connection in an effort to make the year 1939-40 the very best in our history. There is every prospect that this will be accomplished.

R. D.

Road Maps, Tours and Detours in Management

An Address by

PAUL KELLOGG,

President, Stevenson & Kellogg, Ltd., Management Engineers, Montreal.
Delivered before the combined Hamilton and Toronto Chapters, Canadian
Society of Cost Accountants and Industrial Engineers, and the Buffalo
Chapter, National Association of Cost Accountants, in Hamilton,
December 5, 1939.

Inasmuch as I am addressing a meeting of Cost Accountants and Industrial Engineers, I presume that the subject of this address will be interpreted as another discussion of those invaluable guides called "budgets". That would be a correct guess. I suppose that there is scarcely a meeting of an association such as ours in which the budget is not the subject of the address or introduced into the discussion which follows. This is not surprising, for the subject of budgets is clearly one of the most important in modern cost accounting, and it is still so relatively new and so extremely broad in its implications and its application that there is room for many talks on the subject without the risk of too much duplication.

Talks on budgets, as on all other subjects, resolve themselves into discussions of principles and descriptions of applications. It was my privilege recently to hear your own Mr. Howey give a very excellent address on the application of some of the features of budget forecasting. My talk this evening will be along entirely different lines. I will discuss principles rather than detailed applications. It should be clearly understood that I do not wish to draw any distinction between the relative importance of principles or practices. Certainly in our own work as management engineers we have to understand both, and certainly the practices so clearly explained by Mr. Howey, for instance, are only possible because of the correct understanding of principles.

Before I get too far into this subject, I should like to call your attention to what I believe are some of the fundamental developments of thinking in our Society since its inauguration. In Canada we have chosen to couple the "cost accountant" with the "industrial engineer" in the name of the Society. Those of you who may be here from Buffalo as representatives of that chapter of the N.A.C.A., know that engineers have had a very active part in the growth of your Society even though you do not give them special recognition in your name. I believe this union of cost accountants and industrial engineers in one Society has become more significant than even the founders of our Society expected when they decided to call us the "Canadian Society of Cost Accountants and Industrial Engineers". The influence of each of these groups upon the other has been so great that at the present time it is often hard to distinguish an article or an address as coming from a cost accountant or an engineer unless you happen to know the background of the author.

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Let me trace, for a moment, the broader aspects of the development in the cost accountant's thought during recent years to show the influence of the engineer, and then let me do the same thing for the engineer showing how his work has come to include cost accounting.

As in life, where the history of many ages in the evolution of man is portrayed in the development of his own body from its original cell, so the general development of cost accountants' thoughts can be exemplified by the growth in thought of an individual who may join an organization as a clerk in the cost department. This cost accountant is first employed to tabulate what has happened and his attitude towards the work may be summarized in the sentence, "What did they do?" I emphasize here that he is thinking both in terms of the past and also in terms of doing something for another department or for another part of the business with which he is not directly concerned. As he advances in his work, he comes into contact with the forecast, but he still often maintains his detached point of view and now his question might be, "What will they do?" He considers that now his chief function is to lead or drive the other departments into making forecasts and then to living up to them.

The occasional cost accountant, however, as he advances in his business career becomes the manager, and now his attitude changes from that of a detached arbiter to that of an interested leader. He then says, "What are we doing?" It is the immediate present and his own department which now concern him. He is interested in the future as an opportunity for improvement; the past presumably has taught him a lesson; but his prime interest is, what is happening to-day.

Let me now make a similar analysis of the development of an industrial or management engineer. Suppose that he has been trained in one of the schools that now gives excellent courses in this branch of engineering. He finds himself in the factory, worrying about processes or inventories or one of the many minor details assigned to the cub engineer. As he studies a process in the factory, he begins to ask, "How should we do this?" As he advances and finds out how these things should be done he next begins to ask himself, or demands that reports be given him to answer the question, "Did we do it", and his demands for a prompt recording of this effort becomes increasingly insistent. His interests are in his own work and his own department. He justifies the cost accountant's existence only insofar as he helps the engineer do the job he is trying to do. In this respect his attitude does not differ from that of the cost accountant whose worries surround the compilation of budgets and forecasts by the proper date and the prompt preparation of performance reports. From these demands of the engineer there develops a system of reporting to the factory which becomes ever more useful until, let us hope, it achieves its final form in the flexible or selective budget and the variance report.

As our engineer then grows in stature and occasionally becomes a manager, he discovers that there is a set of books being kept for the accountant according to old established forms, along with another set of records prepared according to his ideas of how he should be informed of operations in the factory. Thereupon, he demands that these two sets of

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records be incorporated into one. He ties up factory demands for control records with the financial statements and, lo, he has become a cost accountant.

These illustrations, as usual, will not stand too detailed an analysis, yet I believe you will recognize that, roughly, the development of thought in our Society has been along lines similar to these. It is still basically excellent for us to have these two groups represented in this Society, however, because there will always remain in the mind of the cost accountant his early training as a cost accountant and in the mind of the engineer his early training as an engineer and the viewpoints of these two will necessarily be, to that extent, somewhat different.

With this rather lengthy introduction out of the way, which nevertheless is pertinent to the thought of the evening, let us approach the subject of road maps, tours and detours in management. Let there be no mistake about it! The approach will be that of the engineer who is interested primarily in cost accounting as a method of control in his factory and who says decisively that if a cost accounting system does not provide a means for such control in an intelligent and simple form, he will have nothing to do with it.

Our conception of budgets is broader than the term usually implies. We like to say that a budget is the complete financial expression of the policies of a business. To our minds this means more than a simple forecast of whether the business may be expected to go or what results may be expected to be achieved within the next month or year. The budget should be, in effect, a road map which gives in detail the entire picture of the country through which we may travel. We must know the paths and by-paths, we must know what would happen if we got off the main road, we must know where all paths and roads lead. Said another way, the budget is a road map of all the territory which might be covered by our company in good or bad times, in season and out of season.

When a road map of a territory is to be prepared either on the basis of individual careful surveys or in the modern faster way of taking airplane views, there is a careful detailed study made of each section of the territory to be mapped and the resulting picture is prepared by fitting these individual sections of the map together into one continuous pattern. So in expressing the policies of the company in figures as represented by our budget, we must study each particular department in which operations are carried out and map very clearly all conditions that may confront it. By this we mean that we must know what it would cost us if we did not operate the department at all, that is, the shut-down cost. We must know its output at capacity, and the cost of operating at capacity. We must know also what it would cost to operate that department at any percentage of capacity between zero and one hundred. This is not too difficult a task in skilled hands. It involves the analysis of each item of cost in that department and the determination of whether each of those items is a variable, a fixed or a curved cost, this latter being, as you know, neither fully fixed nor fully variable. With this analysis of each cost in each department, it is then a matter of seconds to determine the budget cost of operating that department.

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at any rate of output desired, for, obviously, the fixed costs remain fixed at all levels. The total variable cost is determined by multiplying the variable cost per unit by the number of units to be manufactured at a given percentage of capacity and the curved cost at that level can be read from either a table or a chart.

Let me interpolate right here the statement that it is probably obvious that such a system involves the use of standard costs, that is, all material and supplies, power, steam, etc., entering into the cost of each department are always figured at standard.

These financial road maps which are put together to form the mosaic called the budget must be made in each department in which money is spent either for materials, labour or expense and which is in charge of a man who has authority to approve expenditures for any of these. As when physical road maps are made, there are some sections of the territory that can be covered with large general surveys or pictures, while there are others that need particular attention because of difficulties or variations in the topography; so also the determination of what size a department should be to require a separate budget depends largely upon the nature of the department. The greater the complication the more detailed and careful must be the study of the basic cost of operating it. Such departments as the maintenance department for instance require special technique in order to set up standards of cost at varying levels.

In each department the proper basis of cost at the various rates of activity is established as a co-operative task of the management, usually represented by the head of the department, and the engineer. Strange as it may seem, particularly in cases where the exact measurement of the proper cost is not possible, the engineer usually finds it necessary to caution the foreman against setting standards too tight rather than too loose.

Let us now assume that these individual departmental budgets have been prepared throughout the entire plant. It is possible to put them all together and make a master budget which would be a financial description of the policy of the company under any condition of business. In a complicated plant, however, or in one in which the capacities of the various departments are not perfectly balanced, such a picture, putting together the individual budgets on a direct basis from zero to 100 for each department, has little significance. In order to make the combined picture a true reflection of the financial possibilities of the company and, therefore, a true budget we must proceed to the next step, which is one of forecasting.

In terms of the title of this paper, forecasting becomes the "tour". That is, having procured a road map, we select on that map the particular roads over which we intend to take our journey or, more exactly, the particular roads over which we hope to take our journey. Forecasting unfortunately has become very much confused, in many minds, with budgeting. Indeed, one of the definitions of a budget is "an annual estimate of revenue expenditure", so it is not strange that when budgeting is used in this limited sense to describe a forecast, that there is some confusion in thought. In order to avoid such confusion in this paper I shall speak of that particular rate of operation in the general budget which is selected as a forecast for

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a future period as a "forecast" and not as a "budget". When I speak of the budget I shall mean that larger picture which, even at the risk of repetition, must be called the complete financial statement of the company's policies.

I should like to divide forecast into two types—a long-range forecast and the immediate forecast. Each of these is significant and each has its proper place. The long-range forecast is an estimate of the volume of each product which the company may expect to sell over a sufficient number of years to establish a true average. This period usually includes a business cycle. This long-range forecast becomes the volume basis at which standard costs are computed. In establishing volume in this long-range forecast, consideration has to be given not only to the company itself but also to the industry or industries of which it forms a part.

In these days, it is very seldom that we find an industry where the demand is always equal to the supply. Nevertheless, in each industry in which statistics are available, it is possible to determine what has been the fluctuation between maximum and minimum demand by the customer. These fluctuations between minimum and maximum demand are occurring within each year and also according to good times and bad times. When an industry is not running continuously at capacity, it is obvious that the fixed expense must be spread over less than capacity volume if selling prices are to reflect complete costs and thus return profits. The economic question seems to be, what proportion of this idle or reserve factory cost should be justly borne by the customer and what part should be absorbed by the industry perhaps as a penalty for over-expansion or other unwise moves. It seems to us that that part of the seasonal variation in demand which cannot be smoothed out by ordinary advance purchasing or manufacturing, together with the normal cyclical variation should determine what part of the overhead cost caused by idle or reserve capacity the customer should absorb. Such an assumption is common in the power business as those of you who pay basic or stand-by charges are well aware. These stand-by charges should, in our opinion, be no less logically a part of the basic cost in every industry and the customer should expect to pay them as assurance that his peak demands can be supplied. For instance, if the total of these two variances in demand were 40%, basic standard costs should be computed at an operating rate of 60% of capacity.

The long-range forecast is thus seen to be the basis of standard costs. The other forecast is the immediate forecast for the next year or that fraction of the year for which forecasts are being made. It differs only from the standard forecast in that a different volume may be selected depending upon the seasonal or long-range fluctuations which are anticipated within the forecasted period.

In the case of both the standard and the immediate forecast, it is necessary to translate the number of units of each product included in the forecast into the activity of each department. This will result, of course, in various rates of activity in the different departments depending upon the basic balance and also upon the variation and assortment of products as disclosed in the forecast. These physical determinations of probable oper-

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ating rates in the various departments are first necessary before actual standard costs can be computed. We have previously determined the cost of operating each department at various levels of activity. Standard costs and forecast costs are then found by simply selecting the rate at the standard and forecast rates of activity.

Having determined the standard costs in each of the separate departments, a statement and chart for the operation of the entire company at a standard rate can be set up which will truly reflect the long-range operation of the business.

The standard operating rate in each department becomes one basis against which actual performance is measured. The other basis is the immediate forecast which is quite likely to be another rate, often below standard, and which, as far as the immediate interests of the foreman or department head are concerned, becomes the goal of day-to-day performance in each department.

Thus we have planned our tour, thus we have selected certain roads in our general map over which we expect to travel. We have some all-weather roads and we have some good-weather roads which we in business terms call "standards" and "forecasts".

We now arrive at the consideration of the detours. We have seen how essential it is to have an accurate road map when planning a trip. So, too, we need the carefully prepared, comprehensive budget, or financial statement of company policies. We have seen how we select on this good road map a definite tour which we wish to take. So, too, we have our standard and our immediate forecasts. The necessity for a comprehensive road map, which shows us much more than our planned tour, is immediately evident when we consider detours or departures from the course we have set. The minute we get off the selected path we must know the reason for the departure, the direction which the detour takes, and all the by-paths and secondary roads by which we can return to the main road. In business these detours are recognized as departures from either the forecast or the budget. Unfortunately, in business these detours are much more frequent than they are in touring; in fact, they are almost inevitable. In this respect, therefore, our illustration is somewhat faulty, but if it is true that detours in business are almost inevitable, how much more should it be true that there is need for an excellent road map, the best that can be procured, for our guidance.

Departures from forecasts and departures from budgets are two different things, although they are often confused under the general title "departures from budget". Recall that here we are considering the budget in its broader sense as the proper expenditures for materials, labour and expense at all levels of operation, or, perhaps we should say at any selected level of operation.

A departure from the forecast, that is, a departure from the volume of business which we expect to do in a future period, together with the costs of doing that business, usually occurs shortly after the forecast has been made. The industry is indeed fortunate which is so stable or which can so regulate its own affairs that it is possible to come very close to these forecasts month after month and year after year.

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A departure from forecasts is primarily the responsibility of the sales department. The sales department, if it fails to make its forecast, may be considered to have fallen down on the job, and if it exceeds its forecasts it will be commended. The forecast is the sales department's par and is usually so considered.

A departure from a forecast in all other departments of the business, however, means only that another set of expenses, another set of material requirements and use, and a modified labour policy must come into effect immediately. These new policies have all been pre-determined and the amount required under the new conditions has all been worked out in the comprehensive budget. Consequently, within a few minutes these new immediate standards are ready for everyone's use. In the manufacturing department they become the goals of the moment and the resulting effect upon cash position enables the realigning of the financial program to be carried out with the least possible commotion.

It is possible, and frequently the case, to find the sales department departing a long way from the forecast and at the same time the manufacturing department operating strictly within its budget, for the factory is concerned only with keeping its outlays for material, labour and expense within a budget applicable to the volume it is then running. If, for instance, the forecast provided that in a certain department 1,000 castings would be made in a month, and owing to any reason you choose it was found impossible to give the foundry orders for 1,000 castings, but only 800, the foreman in the foundry will have before him his budget not for making 1,000 castings, but for making 800 castings. As we have said, the computation of these budgets at a selected volume or level is very simple because of the fact that each of the items of expense in the department has been allocated to one of three classifications—fixed, variable or curved.

Let us examine this difference between forecast and budget comparison a little further. We have examined many so-called budget reports, the preparation of which required hours of labour, which, because they were nothing more than a comparison with a forecast, were absolutely useless in the control of factory operations. You will recall that I am approaching this subject as a production man and that I will have nothing to do with any cost system that doesn't give me a good tool with which to control work in the factory. Let us see how one of these so-called budget reports would affect the situation in the foundry which I have just used as an illustration. To simplify the report greatly, we would find in the first column what is called the budget for the department, but what is better called the forecast. This would show during this month that the department was expected to turn out 1,000 castings and that the cost of this work should have been \$5,000. Of course, this cost will be broken down into many items, but that is immaterial in this particular discussion. Now at the end of the month, the foreman is given a report showing that he made only 800 castings and that he spent \$4,300. The third column which is supposed to be the control column then shows that the foreman was 200 castings under his budget volume and \$700 under his budgeted expenditures. If I am the superintendent I would have a difficult task to

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determine whether this foreman had done a good job in the department during the past month. If I attempted to remonstrate with him for having made only 800 castings when the forecast called for 1,000, he is very likely these days to come back with a statement that I must certainly know that the capacity of his department is at least 2,000 castings a month and that he could have made a thousand without any difficulty at all if he had been given the orders. I can't remonstrate with him on costs because he shows \$700 under the forecast.

When this same foreman runs his department under the flexible or selective budget which we have been discussing, he will know how much he should spend day by day and week by week for the amount of business which is coming into the department. His own records will show him that if he is to make only 800 castings, he will be allowed a certain amount of waste, that he will need to use certain exact quantities of each metal entering into the formula of the castings, that he will consume a certain quantity of gas or oil, that he will have so much to spend for direct labour, so much for supervision, and that his allowance for expense, perhaps divided into various items, will also be a fixed sum all calculated to meet the conditions of making 800 castings. We mean exactly 800 castings; if he makes 801 the budget will be computed for 801. A comparison of his expenditures with this budget amount itemized into significant sub-divisions then becomes a real method of control in that department. Departures from the budget standards are readily identified as to cause and direction and there need be no delay in attempting to find the road back to the highway.

It is easy for you to comprehend that really the only difference from the factory standpoint between comparison against forecast and comparison against the selected budget is that we have eliminated from the standards which the factory is to use for day-to-day operation the fluctuations in costs caused by changes in volume. These volume variances are the cause of concern in the sales department rather than in the factory, except under the unusual conditions when the factory is running at maximum output and failure to reach a set volume is the direct responsibility of the foreman. But even in such a case his performance would show that there was too much expenditure for the volume which he did produce, for he would have geared his department up to the volume which he should have run and consequently would have had expenditures proportionate to the higher volume.

You can readily see, also, that the importance of making this distinction between forecast comparison and budget comparison is much more significant when the business becomes more complex or much more uneven in its rate of activity or in the products which it manufactures. The extreme case is the job shop, where each order received differs from its predecessor. A system of flexible budgets and standard costs are ideally suited for this type of business. The use of the standard costs in estimating assures the management that selling prices are computed on the same basis against which manufacturing performance will be measured. Here the activity of the department can be measured in so many man hours of work and so many pounds, so many crew days, or any one of a number of other bases

COST AND MANAGEMENT

which are most applicable to the business. The amount to be expended in each department for each particular job that comes through is, of course, the same standard cost for the job which was used in preparing its estimate. When shops operating under these conditions show black on their operating reports the management need not fear that there is lack of harmony between estimated costs and production costs.

Another feature of departmental reports under flexible budgets is the character of the performance report itself. Included in one simple statement is a complete record of the foreman's operation of his department. His record of material waste, his report on expenditures for direct labour, his report on maintenance and upkeep—all these, which in so many plants are covered by separate reports, are covered by one statement. By combining all operating data into this one statement, the foreman or department head gets the true prospective on his work. He sees that he is in business to make a profit, and that it doesn't make any difference what causes profits or losses—the effect on the balance sheet is exactly the same. Furthermore, the inclusive report of all operating data prevents the disguise of undue economy in one direction at the expense of overpayments in another. Thus, he could not long neglect proper maintenance of his equipment without finding his material and labour costs exceeding his budget. Indeed, the idea of profits as the main purpose of business which this type of control instills in the mind of the minor executive is one of its most valuable features.

This is about all that I wish to say to-night about road maps, tours and detours. I have illustrated the application of the principles we have discussed by assuming various operating conditions in the factory. The same reasoning may be applied also to office procedure as well as to the sales and distribution departments. The principles are the same, the application only is what makes them slightly different. The object of all business is profits. The use of standards and flexible budgets is assurance that if profits are not made, at least the management will be aware of the fact before it happens. Management also will know the limits within which profits can be made. A clearer understanding of the structure of the business, that is, of the relationships between volume and profits, will result and there will be more careful and intelligent planning for the future.

This method of operation puts each department of the factory, of the office, and of the sales department in business for itself. The heads of departments who can operate within standards set up for them are each contributing to the profits of the company. Only those departments whose reports bristle with red ink need to be watched and, therefore, the complete attention of management can always be given to the weakest spots with the maximum possible opportunity for improving conditions where improvement is most needed.

A budget is the complete, financial statement of the policies of a company—it is a road map on which we can plan our tour for the next year and by the use of which we can bring ourselves back to the main road when we find ourselves detoured from our planned course.

Chapter Notes

Montreal Chapter.

It seems that the Industrial Engineering element in our midst must be served. This section of the Montreal Chapter really went to town on Friday evening, December 1st, and if you really want to see a group of men who enjoy going to work, just watch an Industrial Engineer strutting his stuff. But, to get back to our meeting: the Engineer's Club would have (if there were 1½ inches less pile on its richly carpeted floors) resounded to the tramp of many a costing engineer's foot, each and all wending a sprightly way even unto the dining salon to gain strength sufficient to cope with "Modern Manufacturing Organization and Control" and our guest speaker, T. M. Moran, B.Sc., who, by the way, is a graduate of McGill University and Factory Manager of the Dominion Rubber Company. Of the dinner, little need be said. Of the real meat of the evening, we now attempt to portray.

Introduced by our old confrere and former director, R. S. Hartz, who accused our guest of making the mistake of taking a post-graduate course at the U. of T. and of wasting some of his early years among our neighbours to the south, Mr. Moran took a deep breath and, without further warning, jumped right into the heart of how to operate an industrial plant properly—and we mean just that, properly. According to the little clock on the fireplace mantel, it was precisely 7.48 p.m. when we started. At 9.17 of the same night Mr. Moran had even the hardiest questioner of Montreal Chapter without a justifiable reason to ask for explanation on any point of the discourse; such was the scope of the talk.

We realized that little did we know about the proper co-relation of staff functions. Versatility of employees not only simplifies control but enables the securing of a stronger type of employee and in the long run less employees are required. A pilot plant to initiate the laboratory production of a new product. A cost system is only as good as the line organization which submits the cost data. Save by placing all orders and specifications in the hands of an editing committee and then hold the man who accepts the goods, formulae or service responsible. These and many other expressions added salt and pepper to a verbal feast of industrial management. Staff organization—human beings; staff organization—human beings; always, ever always, formed the motif of the figure "Modern Manufacturing Organization and Control", by T. M. Moran.

Mr. Moran illustrated his subject with graphic chart of management and of job function; with many a sidelight from his own practical experience; and with what is rare indeed in business talks—sound horse sense. This paper is too valuable indeed to not find space in Cost and Management. We cannot afford to permit the charts prepared by Mr. Moran to go back uncopied to his work bench. This series of charts showing the modern thought in the organization and control of manufacturing should belong to our entire membership. If you are ever perplexed by a problem in business organization or control of manufacturing, we suggest that you read over and over the paper, "Modern Manufacturing Organization and Control", by a truly practical business engineer.

Literature Received

Recent Insurance Management Developments.

American Management Association.

This bulletin, issued by the American Management Association, contains really four articles of considerable value to those interested in this phase of business. These are: "The Legal Effect of Social Security Legislation", by Thomas Watters, Jr.; "The Broker's Message to the Insurance Buyer", by Ralph W. Morrell; "Reciprocal Insurance", by Ernest W. Brown, and "Fire Prevention", by George W. Elliott. All these articles are well written and give considerable valuable information. The bulletin, No. 33, can be obtained from the American Management Association, at the small cost of 75c.

Recent Trends in Use and Occupancy Insurance.

American Management Association.

This is Insurance Bulletin No. 54 issued by the American Management Association and contains three very valuable articles. These are: "Recent Trends in Use and Occupancy Insurance", by J. Victor Herd; "Boiler and Machinery Coverage from the Viewpoint of the Insured", by Reginald Fleming, and "Boiler and Machinery Coverage from the Viewpoint of the Insurer", by James H. Coburn.

Foreign Operations and Foreign Exchange.

American Institute of Accountants.

This is Bulletin No. 4 in a series issued by the American Institute of Accountants, and is exceedingly valuable in view of the present foreign exchange transactions.

Terminal Costing.

The Accountant's Journal. November.

A short but very interesting article giving a new angle on costing.

Distributing Costing.

The Cost Accountant. November.

Here is an article of special value on a subject which is always interesting. Deals specifically with the Tobacco and Printing trades.

Improving the Operation of Tabulating Machine Installations.

Sales and Statistical Analysis for a Metal Manufacturer.

N.A.C.A. December 15.

Here are two articles that are distinctly co-related. Both deal with the matter of mechanized and punched card accounting. The first deals with the organization, planning and operation of a tabulating department while the second illustrates the application of punched card accounting specifically to sales analysis work.

To What Extent Is the Last-In, First-Out Plan Being Adopted

N.A.C.A. December 15.

This is a preliminary report compiled by the Research and Technical Service Department of the N.A.C.A. on a current study of financial goods inventory practice.

The Assistance to Workers as the Task of the State

By

GINO OLIVETTI

Chairman, "Enios" (the Italian National Committee for the Scientific Management of Labor) Rome, Italy.

An Address Before the Seventh International Management Congress, Washington, D.C.

I dont' know whether, in dealing with the problem of the assistance to the workers as a task of the State, I should first of all review the contrasting diversity of the prevailing opinions and the State's prerogatives and limits. Probably an examination of this kind would take me too far from the subject about which I intend to speak to you to-day, and, on the other hand, it would be impossible for me to deal thoroughly with this question.

Therefore, I take it for granted that you all agree on the principle that, in the organization of modern life, in which the workers' present means limit self-help, and outside aid is gradually acquiring a new position of prestige all over, the State must take the initiative to assure the largest and most advantageous assistance possible to the working classes. On the other hand, even considering this problem merely from the point of view of the scientific organization of the work, it seems to me beyond question that the principle of assistance to the workers is of national significance insofar as it strengthens the chain of the political—economic—social cycle of production.

In a period during which, in all countries, the State shows willingness to intervene in the fundamental aspects of production and commercial exchanges, one cannot think that the State may give up the one field which may be considered to be its most positive and most important province, namely, protection of the working classes. And this because the contribution made to the development of production is at the same time a contribution to the development of national power. Because of this significance of the protection of the working classes in its characteristic as a "social duty", every one has to fulfill his own function in furthering the collective national welfare. Because of this, assistance to workers acquires the right to State protection, and so worker-aid becomes a task, a duty, a responsibility of the State. The State, in any case, is not only in the best position but also in such a position as to be indispensable in giving impulse to the continuous progress of the people, to better their living conditions, to perfect the organization of society.

On the other hand, the great development of economic activity in the Nineteenth and Twentieth centuries has given rise to the formation of ever great masses of workers, of ever increasing importance as regards both the State's social and political aims.

This naturally brought about relinquishment of almost all the theories of "laissez-faire" in this field, and has compelled the State to solve those problems of first importance and of fundamental interest to society as a whole.

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The social legislation which has developed in the last ten years, at an ever increasing rate, is one of the most outstanding manifestations of the new tendencies of the State; it corresponds nowadays to a political necessity of primary importance: assistance to the workers cannot be left to the initiative of private persons. Much has been done by private persons in the past and their work can still represent a contribution to the organized assistance for workers. But in the world of to-day, the health, the work, the instruction and the education of workers and their social position and family conditions, raise questions of vast importance—of such gravity and complexity that private enterprise, even when organized in a form of insurance, and even if left to its own resources, would be unable to cope with the social requirements.

Not only considerations of human understanding, but also of national solidarity, have resulted in bringing the conditions of the working classes to the fore, as an essential factor in national well-being and social progress; and to that end the organization of assistance to workers takes on an aspect of increasing complexity and completeness. Compulsory insurance against accidents (the first in point of time) has been followed by other provisions against risks undertaken by workers: systems and provisions which have developed and intensified with the aim of protecting the worker not only from material damage, but also from harm to his spiritual and family life.

Assistance, as it should be understood in the modern development of production, must become a manifestation of the spirit of collaboration among the various factors of production. It must be considered as a necessity of their national solidarity which, in Italy, is a fundamental principle in the politic of labour; a solidarity which aims not only at a high level of social justice, but also at preventing those social evils which characterize modern times.

According to these premises it would seem that there can be no doubt as to the collective character which the task of assistance to the workers must assume, and that the State must necessarily be responsible for its development. And, it is beyond question that this is the most reasonable solution of the problem.

Naturally the objection could be put forward that where the State provides, the individual producer or worker tends to lose interest in these questions which so closely concern himself. But to this it can be replied that the producing groups will be obliged to concern themselves with these questions in accordance with a sense of national discipline, and of collaboration and solidarity between the producing groups as national solidarity grows and develops. The greater or lesser diffusion of this idea will be a decisive element in the methods to be adopted by the State in regulating assistance to workers.

If it is the State and only the State which can create sound defensive measures, it remains to be seen whether it is preferable that the necessary activity shall take place through organs of State or through professional associations. In both cases it is to be presupposed that such assistance shall function without possibility of deficiency, within the limits that social interest requires. The putting into practice of this principle may be brought

ASSISTANCE TO WORKERS AS THE TASK OF THE STATE

about by creating special state organs, or else the work can be put into the hands of professional organs and concerns. Only two such solutions could be entertained since it is evident that private speculation cannot and should not be possible in this matter, as the administration of the means necessary for undertaking this work of special assistance is a thing that should not give rise to commercial speculation, considering that assistance is given to the worker at critical periods in his life and is, therefore, in a sense, sacred.

The choice of the method will depend on the status of development of professional associations in so far as their functions tend towards national interests (for example, in Italy with this second method, a system of direct financial help to families in times of illness has been instituted, by the creation and distribution of family allowances).

But whatever the method chosen, one factor remains the same: the necessity for the State to maintain continued control in order to guarantee that, at moment of need, the worker is furnished with that help, little or great though it may be, by which he may survive a time of difficulty.

The experience gained in this matter in Italy is particularly interesting. Assistance first manifested its development through voluntary effort; later it became compulsory entirely because of that state of discipline, knowingly accepted by the army of workers, that gave to the State the possibility of intervening in an always more efficacious manner for the development of further provision for the workers.

And through this compulsory character, behind which stands an organic system of contributions assigning some duties to every single citizen, the new institutions have lost the old aspect of philanthropy and they have given to the assistance the characteristic of a social work to which the beneficiary has also contributed with the quota he has previously paid in. Thus the State is the administrator and controller of this immense activity whose burden, proportionally divided amongst those who share in the productive process, does not weigh on anybody but is a simple and mere duty, similar to the duty of paying taxes to the State for the administration of national services.

It would be too long a task to make up a list of all the forms of assistance the State has provided in Italy following the conception I have outlined above. I don't want to bore you by repeating here a long list of data and figures: but in order better to illustrate the above assertions that the State's direct intervention in assistance to workers has not hindered in Italy the development of other forms of voluntary effort, I should like to point out that private firms, professional associations, including all the employees, employers and workers, especially the Fascist Party, have in this field accomplished a work of particular importance. (For instance, sea colonies and mountain colonies have been opened for the sons of the workers at which, during 1937, 744,049 children were cared for.)

The State either directly or indirectly contributes to this activity and thus the assistance has been extended from the worker in the performance of his duty to the worker outside the working place, to his family, to his children, during his lifetime and also after his death. And not only material assistance is given to the worker when he is in need for accidental reasons;

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in Italy the assistance extends also to the technical, moral, political, and educational development of the individual so that he will be an active element who contributes in toto to the national collectivity—an element from whom the State may expect all the collaboration and all the discipline necessary for the development of production, and for the increment of national power. Thus the worker not only receives a remuneration for his work, but he also enjoys a continuous protection and assistance through which the State's intervention proves to be substantially, and beyond question, a manifestation of force, of solidarity, and of moral and political comprehension.

To conclude, I will tell you that if assistance to workers must be a task of the State, in the interest of the State itself, and in the interest of national activity, it is also true that in order for the State to take over and fulfill this task it must necessarily meet particular conditions, eliminating contrasts amongst social classes. Only in this way can the work be developed in an atmosphere of high collaboration. Only in this way can the assistance attain the advocated political and spiritual aims in addition to the social and material ones.

Horse Sense

If you work for a man, in heaven's name work for him. If he pays wages that supply you your bread and butter, work for him, speak well of him, and stand by him, and stand by the institution he represents. Yes, if I worked for a man, I would work for him. I would not work for him a part of his time, but all of his time. I would give an undivided service or none. If put to the pinch, an ounce of loyalty is worth a pound of cleverness. If you must vilify, condemn and eternally disparage, why, resign your position, and when you are outside, damn to your heart's content. But, I pray you, so long as you are part of an institution do not condemn it. Not that you will injure the institution—not that—but when you disparage the concern of which you are a part, you disparage yourself, and don't forget—I forgot—won't do in business.

ELBERT HUBBARD.

SAVE HOURS IN THE OFFICE

by eliminating the handicaps that slow up office routine!

Here is how Burroughs can help you

Burroughs accumulated experience in installing nearly 2,000,000 machines, especially designed to eliminate needless operations in the handling of business records, is available to accountants concerned with helping their clients meet the Hours Problem.

Burroughs is in a unique position to assist in a desk-to-desk survey, and to make unbiased suggestions and recommendations, because of the completeness of the Burroughs line of adding, calculating, accounting, billing, forms writing, typing, cash handling and statistical machines.

As almost every kind of office work can be handled on any one of several different types of Burroughs equipment, it is easy to choose exactly the method or the machine that will give maximum efficiency at the lowest cost.

The first step toward meeting the Hours Problem in an office is to survey the work on each desk. This determines whether employees are handicapped by routine that causes expensive bottlenecks, annoying peak periods, unnecessary duplications of records and needless operations. Eliminating some operations—and shortening others—can effect substantial economies in time, effort and money.

The booklet illustrated, "Ways to Save Time in an Office," suggests definite and practical ways to start such a survey in the office. For a gratis copy of this booklet, telephone the local Burroughs office, or write direct.



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Fast posting for ledgers and open - item statements

The National Typewriting-Bookkeeping Machine with Dater combines these special features that speed up posting: A standard typewriter keyboard for heading up statements and ledgers and for making unusual descriptions. A standard 81-key amount keyboard. An automatic dater, and symbol print keys

if desired. Optional vertical or horizontal posting on any operation. And this machine is convertible to any bookkeeping job in less than a minute.

Ask our local representative for a demonstration of the National Typewriting-Bookkeeping Machine with Dater.

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CASH REGISTERS • TYPEWRITING-BOOKKEEPING MACHINES • ANALYSIS MACHINES • BANK-BOOKKEEPING MACHINES • CHECK-WRITING AND SIGNING MACHINES • POSTAGE METER MACHINES • CORRECT POSTURE CHAIRS

SITUATIONS WANTED

SITUATIONS WANTED

Young man with several years' experience in Cost Accounting in Metal Stamping and Foundry work, seeks position. Would go anywhere for good position, and would accept moderate salary to commence. Apply Box 43, "Cost and Management".

Young man, single, with many years' experience in Banking and Accounting. Graduate in Cost Accounting, and with experience as Office Manager, seeks change in position. Fully capable of taking charge, and remuneration asked only moderate for good start. Well recommended and is earnestly seeking a real opportunity to display knowledge and ability. Apply Box 45, "Cost and Management".

Young man, at present employed, desires change in position in Montreal, or vicinity. Holds Montreal Board of Trade Diploma, and is completing Society examinations. Three years' accounting experience and has excellent references. Apply Box 47, "Cost and Management".

Young man, at present engaged, desires position of Cost Accountant in Toronto or vicinity, with opportunities for advancement. Has had several years' practical experience as Cost Accountant, is well qualified and is at present studying for second year Society examinations. Apply Box 26, "Cost and Management".

Will install and operate cost system permitting cost and inventory control, monthly profit and loss statements for group of smaller industries in Western Ontario, or if for one company fill position of accountant, comptroller, internal auditor or treasurer. Apply Box 46, "Cost and Management".

A thoroughly experienced Cost and Industrial Accountant desires position with sound company. Well versed in cost and production work and all phases of accounting. Experienced also in Office Management, Purchasing, etc. Particularly well versed in the Canning and Food Industry. Apply Box 48, "Cost and Management".

Cost Accountant, at present resident in Toronto, seeks position with progressive company. Particularly well versed in the Printing Industry, but has sound knowledge of Cost Accounting and is at liberty to go anywhere for good position. Apply Box 50, "Cost and Management".

Young man, at present engaged, seeks change to sound progressive company. Has had experience as Chief Accountant, Cost Accountant, Public Auditing, Payroll work, etc. Thoroughly practical and experienced. At present working in Ontario, but distance no object for good position. Box 51, "Cost and Management".

Young man, 10 years' bank experience, studying higher accounting and cost accounting, at present employed in Western Canada, desires position with industrial company with prospects of advancement to good man. Will go anywhere. Apply Box 52, "Cost and Management".

Young man, excellent education, 4 years' experience in Cost Accounting and Time Study, knowledge of industrial chemistry and metallurgy, desires position. Excellent references. What have you? Apply Box 54, "Cost and Management".

Young man, 25 years of age, with ten years' experience as Bookkeeper and Accountant, desires position with sound organization. La Salle graduate. Excellent references. Apply Box 55, "Cost and Management".

CHANGE FOR PROGRESS!

Industrial engineer, university graduate, in his 6th year with present employers would consider change.

Has had ten years' practical shop experience in cost methods, motion and time study, production planning and control, estimating, cost reduction and special investigations.

Will produce results and effect economies.

Age 30; married; location immaterial.

INVESTIGATE!

Box 53, "Cost and Management".

A Modern Punch Card System

By

PAUL B. PRATT

Remington Rand Co. Ltd.

The following is an article by Paul B. Pratt, a member of the Hamilton Chapter, describing in detail the installation of a Punch Card System in the offices of the Atlas Steel Company, Welland, Ontario. We are indebted to Mr. Pratt for permission to publish this article which will undoubtedly be of value to many who have not, as yet, realized the value of mechanized accounting methods.—Ed.

Sorting and tabulating the data for sales and payroll work in a steel company is a big job and before the Atlas Steel Company installed the mechanical system of accounting the clerical staff was swamped with the mass of statistics. Harry W. Spry, assistant secretary of the Atlas Steel Limited, Welland, Ontario, realized that the manual methods of posting entailed far too much time and that the chief executives were not getting the necessary statistics on time. He investigated the various kinds of mechanical accounting and finally decided on the punched card method which gave him the necessary flexibility and speed. The following is an outline of the system of punched card accounting which is installed in the Atlas Steel Company:

The Punch Card Method of Accounting is universally recognized as the fastest and most flexible method of cross-indexing statistical and accumulating and posting accounting data.

The basis of the method is the tabulating card, which is designed to meet individual requirements covering any phase of accounting or statistical work. Incorporated in the tabulating card, are all the classifications and accumulating sections necessary for each individual application.

COMPARISON WITH MANUAL METHODS

By way of comparison with manual methods, we might take the Sales Invoice. Under manual methods, it is necessary to post the Sales Invoice to numerous major and subsidiary records. A group of postings might be as follows:

1. Posting to the Invoice Register.
2. Posting to Salesmen's Commission Statements.
3. Posting to the Accounts Receivable.
4. Posting to Salesmen's Sales Analysis, to reflect his activity either in dollar volume or dollar volume by products for each salesman.
5. Posting to a Customer Analysis, to reflect individual customers' sales.
6. Daily posting to a Sales Recapitulation for general ledger figures at the end of a given period.
7. Posting to a Geographical Analysis to reflect distribution by territories, cities, towns, etc.
8. Posting for provincial sales figures.
9. Posting to Branch Sales Records for branch transfers, inventory purposes, etc.

A MODERN PUNCH CARD SYSTEM

10. Posting to Return Analysis for the allocation for responsibility for returned goods.

With the Punched Card Method, all this information is recorded at one time; in other words, we have the equivalent of ten hand-postings in one Tabulating Card.

The Tabulating Card is punched for each item sold in the case of the Sales Invoice. Once the information is transcribed into the Tabulating Card by means of punched holes, the balance of the operations necessary to produce the finished tabulations, are secured through the medium of automatic tabulating machinery.

In addition to Sales Analysis, the Punched Card Method is ideally applicable to Payroll Work, Labour Distribution, Accounts Payable, Production, Stores Records, Inventory, Insurance Records, Costs, General Accounting and Statistical Work of all kinds.

MACHINES

The Key Punch.—Tabulating Cards are punched through the medium of the Key Punch. This machine is used for detail recording, as well as duplicating common information into a number of cards.

The Sorter.—Tabulating Cards are sorted through the medium of this machine at a speed of 420 cards per minute. The cards may be sorted into any desired classification. The Sorter is the basic machine because, without this machine, it would be impossible to cross-index the punched information.

The Tabulator.—The Tabulator is a series of individually controlled adding machines. This machine has the ability to produce all records in printed form, automatically accumulating information for one or a group of classifications. The adding and designating units are actuated by the information punched into the cards.

There are two classes of Tabulating Machines:

- (a) Numerical.
- (b) Combined Alphabetical and Numerical.

In the first instance, it is necessary to use code numbers for accounting and statistical classifications. In the case of Alphabetical Equipment, it is usual to operate with code numbers in addition to the alphabetical section. This equipment is able to produce printed records, printing the names of any desired groups.

Operation.—Tabulating Machines are simple to operate once the clerical staff are given a brief course of instruction by tabulating machine company representatives.

Application.—A Company Executive should thoroughly investigate the Punched Card Method from all angles with the tabulating machine representative, before deciding in favour of any installation. Each individual application must be justified with definite benefits in mind, such as saving of time or a greater, more tangible control of the company's activities.

The following series of Tabulating Cards are used for the following phases of their accounting and statistical work:

1. Payroll
2. Labour Distribution.
3. Production.
4. Finishing.
5. Sale Analyses.
6. Voucher Distribution
7. Stores Accounting.
8. Finished Stock Control.

All tabulations from these cards are produced in printed form, and become permanent company records.

A full-size illustration of one of the cards; in this case, one of the Sales Analysis, showing the amount of information which is taken from the invoice and recorded on the card by means of codes and punches.

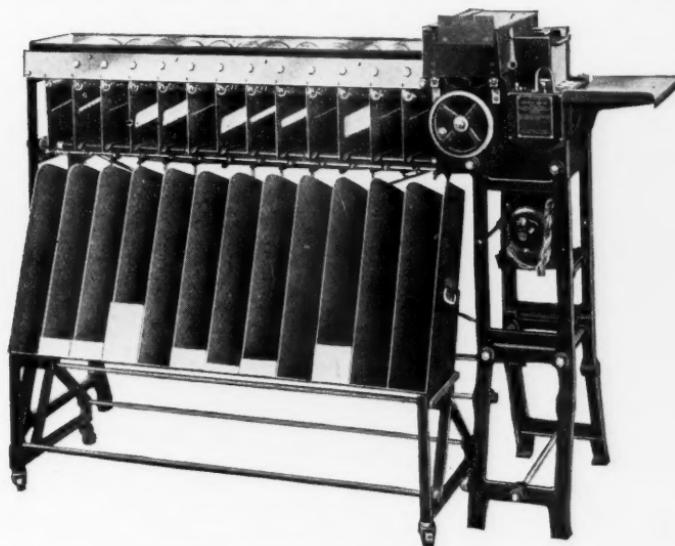
ATLAS STEELS LTD. — SALES ANALYSIS												
Mo.	Customer	Class	Sales- man	Invoice Number	Grade	Weight	Value	MIS. CHARGE				TOTAL
								SPARE	SALES TAX	MIS. CHARGE	SALES TAX	
14	34	34	34	34	34	34	34	34	34	34	34	1.2
56	56	56	56	56	56	56	56	56	56	56	56	1.2
78	78	78	78	78	78	78	78	78	78	78	78	78
1	2	3	4	5	6	7	8	9	10	11	12	13
6	6	6	6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7	7	7	7
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Personal Items

Art Bedwell, a well known member of the Hamilton Chapter, has been promoted to the position of Chief Clerk of the Hamilton Works, the Steel Company of Canada Ltd.

* * * *

Recent additions to the membership of the Hamilton Chapter are Eric R. C. Bower, Controller of Finance, and R. J. "Bob" Menary, Chief Accountant of the City of Hamilton.

* * * *

Congratulations to C. F. B. Tippett, a member of the Toronto Chapter, who has been elected a director of the Western Canada Flour Mills Co., Ltd.

* * * *

Alex. Gibson, a well known member of the Hamilton Chapter, has secured a position with the Fairchild Aircraft Corporation, Limited, at Longueill, Que., and will be transferred to the Montreal Chapter. Good luck, Alex.

(Continued on page 405)

A.M.A. Financial Conference

The financial problems that are currently facing the management of the average American company, such as, financing new issues, budgeting, inventory control, etc., will be discussed at the American Management Association's Finance Conference, to be held on January 24-25, at the Hotel New Yorker. Corporation presidents, treasurers, controllers, and tax experts will be among those attending the sessions.

Jerome N. Frank, Chairman of the Securities and Exchange Commission, is expected to make an important address on the relations of the Securities and Exchange Commission to financial management. Mr. Frank will speak at a luncheon on Thursday, January 25.

Among the subjects that are expected to arouse the greatest interest are those pertaining to financial problems arising out of social legislation. Two papers to cover this subject will be given by P. F. Boyer, Comptroller, Republic Steel Corporation, and H. Walter Forster, President, Towers, Perrin, Forster & Crosby, Inc., of Philadelphia.

The Association reports that higher production schedules of recent months have emphasized the effect of social legislation on new production and operating costs, and that the problem is complicated in some states by the fact that current employment experience will dictate payroll taxes that will have to be paid several years hence. It brings to the fore such questions as: how hiring and layoff policies should be adapted to the present conditions; and, what is the effect of this legislation on basic wage policies.

The detailed program is as follows:

Wednesday morning, January 24—Current Problems in Financial Management. F. B. Flahive, Comptroller, Columbia Gas & Electric Corporation, and Vice-President of the A.M.A. Finance and Accounts Division, presiding.

10:00 a.m., "Adapting Financial Management to Governmental Regulation," Dana C. Backus, Attorney, White & Case, New York.

11:00 a.m., "Refunding Old Obligations and Financing New Issues," Allan M. Pope, President, The First Boston Corporation, New York.

11:30 a.m., "Capital Loans for the Smaller Business," Glenn McHugh, Second Vice-President, The Equitable Life Assurance Society of the United States, New York.

Luncheon. An informal discussion of Corporate Taxation. Maxwell E. McDowell, Standard Oil Company of New Jersey, presiding.

Wednesday afternoon—Progress in Budgetary Control. Arthur Lazarus, Day & Zimmerman, Inc., New York, presiding.

2:00 p.m., "How Management Looks at Budgeting," Mr. Lazarus.

2:30 p.m., "Flexible Budgeting of Expense," S. R. Shave, Director of Budgets, Westinghouse Electric & Manufacturing Company, Pittsburgh.

3:00 p.m., "Budgeting Sales and Selling Costs," E. S. LaRose, Controller, Bausch & Lomb Optical Company, Rochester.

Thursday morning, January 25—Financial Problems Arising from Social Legislation. M. B. Folsom, Treasurer, Eastman Kodak Company, Rochester, presiding.

9:30 a.m., "Effect of Social Legislation on Production and Operating Costs," P. F. Boyer, Comptroller, Republic Steel Corporation.

COST AND MANAGEMENT

10:30 a.m., "Adapting Private Pension Plans to Social Legislation," H. Walter Forster, President, Towers, Perrin, Forster & Crosby, Inc., Philadelphia.

Luncheon. W. L. Batt, President S.K.F. Industries, Inc., presiding. "Management and Finance—The Position of Each in Industry," Jerome N. Frank, Chairman, Securities and Exchange Commission, Washington.

Thursday afternoon—Financial Management Looks Ahead. Wyman P. Fiske, Professor of Accounting and Director, Sponsored Fellowship Program, Massachusetts Institute of Technology, Cambridge, Mass., presiding.

2:30 p.m., "Realism in Accounting," Charles B. Couchman, Partner, Barrow, Wade, Guthrie & Company, New York.

3:15 p.m., "New Thinking in Auditing," Samuel J. Broad, Partner, Peat, Marwick, Mitchell & Company, New York, and Vice-President, American Institute of Accountants.

4:00 p.m., "Inventory Checking and Some of Its Problems," E. S. Coldwell, Ford, Bacon & Davis, Inc., New York.

WILLIAM L. BATT ELECTED

William L. Batt, President of S.K.F. Industries, Inc., has been elected Chairman of the Board of Directors of the American Management Association, according to an announcement by Alvin E. Dodd, President of the Association. The position to which Mr. Batt was elected has been vacant since the death of James O. McKinsey, Chairman of Marshall Field & Company.

Recognized as a leader of the international management movement, Mr. Batt is also President of the International Committee of Scientific Management, the organization which sponsored the Seventh International Management Congress held in Washington in September, 1938. He is the first American to have occupied this position, which was formerly held by the Rt. Honorable Viscount Leverhulme, head of Unilevers, Ltd., of England.

Mr. Batt has long been active in management and engineering circles in the United States. A former President of the American Society of Mechanical Engineers, Mr. Batt is now a member of the Business Advisory Council for the Department of Commerce, a Director of the National Association of Manufacturers, and Chairman, Division of Engineering and Industrial Research, National Research Council.

He is also a Director of the United Gas Improvement Corporation, the Air Preheater Corporation and American Bosch Corporation, as well as Vice-President and Director of the Swedish Chamber of Commerce of the United States, and a Director of the Philadelphia Chamber of Commerce.

As Chairman of the Board of the American Management Association, Mr. Batt assumes the leadership of an organization representing more than 3000 industrial and commercial companies in the United States and abroad. The Association is supported by these companies as a means of exchanging information and experiences in the development of policies and improved management techniques.

A.M.A. FINANCIAL CONFERENCE

A graduate of Purdue University in 1907, Mr. Batt received the degree of Doctor of Engineering from the same university in 1933.

His first position in industry was in the research laboratory of the Hess-Bright Manufacturing Company. Advancing to the position of Secretary in 1916, he later became General Manager of S.K.F. Industries, Inc., in 1919, when his company was merged with this concern. Since 1923, Mr. Batt has been President of S.K.F. Industries, Inc., with headquarters in Philadelphia.

Personal Items (Continued)

Ken Horton, past chairman of the Hamilton Chapter, is back at his desk after a sojourn of some weeks in Eastern Canada. Ken likes to go east and visit his home folks on occasions.

* * * *

W. R. Evans, F. D. Sutcliffe and H. Fazackerley, all executive members of the Edmonton Chapter of the Society, have been elected as Fellows of the Faculty of Corporate Secretaries.

Something that has been missed from previous issues is this true story. At the opening meeting of the Montreal Chapter, which was a Plant Visit to the Miner Rubber Company of Granby, Que., the members left by bus from the Dorchester Street Bus Station. An employee of the bus company was announcing the departure of the bus, which had been chartered for the occasion, and announced over the public address system in a loud voice, "The bus for the Society of 'Lost' Accountants leaves on track 9".

New Members

Montreal Chapter.

J. G. Evans, Canadian International Paper Co., Montreal.
R. H. Bissell, Canadian Industries Ltd., Montreal.
N. S. Verity, C.A., St. Lawrence Flour Mills Co. Ltd., Montreal, P.Q.

Toronto Chapter.

W. J. Evans, G. H. Wood & Co. Ltd., Toronto.
A. S. Kimberley, Buffalo Ankerite Gold Mines Ltd., South Porcupine,
Ont.

Hamilton Chapter.

D. G. Moore, Department of National Revenue, Hamilton.
I. F. Gilmore, W. F. Fearman Co. Ltd., Hamilton.

London Chapter.

C. W. Murray, Maxwell's Limited, St. Mary's, Ont.
A. McDowall, Maxwell's Limited, St. Mary's, Ont.

Vancouver Chapter.

W. L. Cornwall, Westminster Canner Ltd., New Westminster.

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